

**REPORT OF THE AUDIT OF THE
FLEMING COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Larry Foxworthy, Fleming County Judge/Executive

Members of the Fleming County Fiscal Court

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Fleming County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the Fleming County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, Fleming County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Fleming County, Kentucky, as of June 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Larry Foxworthy, Fleming County Judge/Executive
Members of the Fleming County Fiscal Court

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2009, on our consideration of the Fleming County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fleming County Fiscal Court's basic financial statements. The accompanying combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan-Franklin, LLC

December 17, 2009

FLEMING COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Larry Foxworthy	County Judge/Executive
Allen Argo	Magistrate
Douglas Bowling	Magistrate
Larry Dearing	Magistrate
Steve Call	Magistrate
Kenneth Souder	Magistrate
David Deatley	Magistrate

Other Elected Officials:

John Price	County Attorney
Gary Conley	Jailer
Jarrod Fritz	County Clerk
Pam Lowe	Circuit Court Clerk
Scotty Royse	Sheriff
Connie Crane	Property Valuation Administrator
Joe Denton	Coroner

Appointed Personnel:

Kathryn Dryden	County Treasurer
Tammy Gray	Finance Officer
Anthony Vice	Road Supervisor
Jason England	911 Administrator

FLEMING COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

FLEMING COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,451,793
Total Current Assets	<u>5,451,793</u>
Noncurrent Assets:	
Notes Receivable - Noncurrent	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,745,046
Construction In Progress	293,394
Buildings	1,068,189
Equipment	882,140
Vehicles	293,839
Infrastructure Assets - Net of Depreciation	<u>1,267,305</u>
Total Noncurrent Assets	<u>5,549,913</u>
Total Assets	<u>11,001,706</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations	213,641
Bond Anticipation Notes	4,500,000
Noncurrent Liabilities:	
Financing Obligations	<u>304,030</u>
Total Liabilities	<u>5,017,671</u>
NET ASSETS	
Invested in Capital Assets,	
Net of Related Debt	532,242
Unrestricted	<u>5,451,793</u>
Total Net Assets	<u><u>\$ 5,984,035</u></u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

FLEMING COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,474,516	\$ 2,765	\$ 80,503	\$ 122,600
Protection to Persons and Property	983,404	179,039	403,732	
General Health and Sanitation	36,368	125	25,748	
Social Services	6,675			
Recreation and Culture	105,998			
Roads	1,378,464		1,229,145	189,870
Road Facilities	719			
Interest on Long-term Debt	107,323			
Capital Projects	17,205			
Total Governmental Activities	\$ 4,110,672	\$ 181,929	\$ 1,739,128	\$ 312,470

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	Net (Expenses) Revenues and Changes in Net Assets Primary Government
	Governmental Activities
	\$ (1,268,648)
	(400,633)
	(10,495)
	(6,675)
	(105,998)
	40,551
	(719)
	(107,323)
	(17,205)
	(1,877,145)
General Revenues:	
Taxes:	
Real Property Taxes	690,667
Personal Property Taxes	58,594
Motor Vehicle Taxes	121,347
Insurance Premium Taxes	376,349
Other Taxes	147,399
Cable TV Franchise Fees	25,685
Excess Fees	122,725
E-911 Fees	249,605
Unrestricted Investment Earnings	57,126
Miscellaneous Revenues	469,516
Total General Revenues	2,319,013
Change in Net Assets	441,868
Net Asset - Beginning (Restated)	5,542,167
Net Asset - Ending	\$ 5,984,035

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

FLEMING COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009

	General Fund	Road Fund	Public Properties Corporation Fund	Non Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 363,401	\$ 276,902	\$ 3,422,957	\$ 1,388,533	\$ 5,451,793
Total Assets	<u>\$ 363,401</u>	<u>\$ 276,902</u>	<u>\$ 3,422,957</u>	<u>\$ 1,388,533</u>	<u>\$ 5,451,793</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 363,401	\$	\$	\$	\$ 363,401
Special Revenue Funds		276,902	3,422,957	1,388,533	5,088,392
Total Fund Balances	<u>\$ 363,401</u>	<u>\$ 276,902</u>	<u>\$ 3,422,957</u>	<u>\$ 1,388,533</u>	<u>\$ 5,451,793</u>

Reconciliation of Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances	\$ 5,451,793
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital Assets of \$7,958,833 Net of Accumulated Depreciation of \$2,408,920 Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.	5,549,913
Long-term Debt is not Due and Payable in the Current Period and, Therefore, is not Reported in the Funds.	
Financing Obligations	<u>(5,017,671)</u>
Net Assets of Governmental Activities	<u>\$ 5,984,035</u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

FLEMING COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Public Properties Corporation Fund</u>
REVENUES			
Taxes	\$ 1,392,885	\$	\$
Excess Fees	122,725		
Licenses and Permits	25,685		
Intergovernmental	111,378	1,302,470	
Charges for Services	125		
Miscellaneous	278,791	17,807	
Interest	1,807	4,586	34,128
Total Revenues	<u>1,933,396</u>	<u>1,324,863</u>	<u>34,128</u>
EXPENDITURES			
General Government	525,246		
Protection to Persons and Property	90,679		
General Health and Sanitation	34,076		
Social Services	4,500		
Recreation and Culture	62,350		
Roads		1,070,112	
Road Facilities			
Debt Service	7,931	1,356	84,991
Capital Projects	6,181	8,000	982,894
Administration	629,623	165,436	8,204
Total Expenditures	<u>1,360,586</u>	<u>1,244,904</u>	<u>1,076,089</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers And Other Financing Sources (Uses)	572,810	79,959	(1,041,961)
TRANSFERS & OTHER FINANCING SOURCES (USES)			
Lease Proceeds			
Transfers From Other Funds	96,020	154,619	
Transfers To Other Funds	(471,187)	(22,953)	
Total Transfers & Other Financing Sources (Uses)	<u>(375,167)</u>	<u>131,666</u>	
Net Change in Fund Balances	197,643	211,625	(1,041,961)
Fund Balances - Beginning	165,758	65,277	4,464,918
Fund Balances - Ending	<u>\$ 363,401</u>	<u>\$ 276,902</u>	<u>\$ 3,422,957</u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

	Non- Major Funds	Total Governmental Funds
REVENUES		
Taxes	\$ 251,076	\$ 1,643,961
Excess Fees		122,725
Licenses and Permits		25,685
Intergovernmental	804,081	2,217,929
Charges for Services	52,730	52,855
Miscellaneous	119,822	416,420
Interest	16,605	57,126
Total Revenues	<u>1,244,314</u>	<u>4,536,701</u>
EXPENDITURES		
General Government	181,449	706,695
Protection to Persons and Property	841,602	932,281
General Health and Sanitation	180	34,256
Social Services	2,175	6,675
Recreation and Culture	55,776	118,126
Roads	194,283	1,264,395
Road Facilities	719	719
Debt Service	108,072	202,350
Capital Projects	214,161	1,211,236
Administration	59,242	862,505
Total Expenditures	<u>1,657,659</u>	<u>5,339,238</u>
Over		
And		
Other Financing Sources (Uses)	(413,345)	(802,537)
TRANSFERS & OTHER FINANCING SOURCES (USES) -		
Lease Proceeds	189,103	189,103
Transfers From Other Funds	(442,982)	(192,343)
Transfers To Other Funds	686,483	192,343
Total Transfers & Other Financing Sources (Uses)	<u>432,604</u>	<u>189,103</u>
Net Change in Fund Balances	19,259	(613,434)
Fund Balances - Beginning	1,369,274	6,065,227
Fund Balances - Ending	<u>\$ 1,388,533</u>	<u>\$ 5,451,793</u>

The accompanying notes are an integral part of the financial statements.

FLEMING COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

FLEMING COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (613,434)
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Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	1,606,956
Depreciation Expense	(352,969)
Net Book Value of Capital Assets Disposals	(120,448)
Asset Held For Resale Purchase	103,680
Asset Held For Resale Disposal	(103,680)
Vehicles Purchased By Others	15,839

The Issuance of Long-Term Debt Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transaction, However, Have no Effect on Net Assets.

Lease Proceeds	(417,053)
Debt Obligation Principal Payments	322,977

Change in Net Assets of Governmental Activities	<u>\$ 441,868</u>
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FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances). As of June 30, 2009 the Fleming County Fiscal Court had no encumbrances.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Fleming County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Fleming Public Properties Corporation

Fleming County Fiscal Court appoints the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial activity for the Public Properties Corporation is blended with Fleming County's financial statements. All activities of the Public Properties Corporation are accounted for within a governmental fund.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Fleming County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Fleming County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Fleming County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The county does not have business-type activities or fiduciary funds.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivable, accounts payable, compensated absences, and donated assets are not reflected in the financial statement.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The governmental funds are reported using the current resources measurement focus and the modified cash basis recognizes revenues when received and expenditures when paid.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Fleming Public Properties Corporation - This fund is used to account for the activity of the Fleming Public Properties Corporation Fund, a blended component unit. Revenues and expenditures of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department of Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, Federal Grant Fund, Forestry Fund, Revolving Loan fund, Dispatch fund, and Capital Improvement Fund.

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, Federal Grant Fund, Forestry Fund, Revolving Loan Fund, and Dispatch Fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Capital Project Fund

The Capital Improvement Fund is presented as a capital project fund. Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

E. Property Tax Calendar

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 31 following the assessment, and subject to lien and sale April 30 following the delinquency date.

F. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. However, the county has elected not to report major general infrastructure assets retroactively.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

H. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

I. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance. As of June 30, 2009 the Fleming County Fiscal Court had no encumbrances.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

K. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Fleming County Hospital is considered a related organization of Fleming County Fiscal Court.

L. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. Based upon these criteria, the following are considered jointly governed organizations of the Fleming County Fiscal Court: Flemingsburg-Fleming County Industrial Authority, Flemingsburg-Fleming County Recreation Board, Flemingsburg-Fleming County and Ewing Planning Commission, Fleming-Mason Airport Board, Flemingsburg-Fleming County Chamber of Commerce, and the Flemingsburg-Fleming County and Ewing Ethics Board.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, \$254,534 of the County's deposits were uninsured and uncollateralized.

Bank Balances Insured By FDIC At June 30, 2009	\$ 500,000
Bank Balances Collateralized at June 30, 2009*	1,340,820
Bank Balances Uninsured and Uncollateralized At June 30, 2009	<u>254,534</u>
Bank Balance At 6/30/09	<u>\$ 2,095,354</u>

*Pledged securities held by the banks trust department.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction In Progress	\$	\$ 293,394	\$	\$ 293,394
Total Capital Assets Not Being Depreciated		293,394		293,394
Capital Assets, Being Depreciated:				
Land and Land Improvements	1,013,009	820,075	(85,000)	1,748,084
Buildings	1,651,877	156,686		1,808,563
Other Equipment	1,431,186	191,351	(26,032)	1,596,505
Vehicles and Equipment	515,761	21,739	(22,800)	514,700
Infrastructure	1,858,037	139,550		1,997,587
Total Capital Assets Being Depreciated	6,469,870	1,329,401	(133,832)	7,665,439
Less Accumulated Depreciation For:				
Buildings	(706,111)	(34,263)		(740,374)
Land Improvements		(3,038)		(3,038)
Other Equipment	(626,263)	(96,970)	8,868	(714,365)
Vehicles and Equipment	(202,212)	(23,167)	4,518	(220,861)
Infrastructure	(534,751)	(195,531)		(730,282)
Total Accumulated Depreciation	(2,069,337)	(352,969)	13,386	(2,408,920)
Total Capital Assets, Being Depreciated, Net	4,400,533	976,432	(120,446)	5,256,519
Governmental Activities Capital Assets, Net	<u>\$ 4,400,533</u>	<u>\$ 1,269,826</u>	<u>\$ (120,446)</u>	<u>\$ 5,549,913</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 40,237
Protection to Persons and Property	57,828
General Health and Sanitation	750
Recreation and Culture	12,112
Roads, Including Depreciation of General Infrastructure Assets	<u>242,042</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 352,969</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Short-term Debt

A. Kentucky Association of County Advance Revenue Program

In July 2008, Fleming County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$227,950, with principal being due in January 2009 with an interest rate of 3.75 percent. The County used the borrowed funds in order to meet current General and Road Fund expenses. The borrowed funds in the amount of \$227,950 were repaid January 2009.

B. Kentucky Area Development Financing Trust

On July 10, 2008 the Fiscal Court entered into a lease agreement in the amount of \$110,000 with the Kentucky Area Development Financing Trust for a truck purchase project. The agreement requires one payment due December 20, 2009, with an interest rate of 4.00%. The County purchased heavy trucks to use for one year; then the trucks will be sold at an auction. It is intended that the auction will generate funds sufficient to pay off most, if not the entire outstanding principal. As of June 30, 2009, the county had received \$94,248 generated from the auctioning of the truck. As of June 30, 2009, the balance of the lease was \$110,000.

Short-term debt activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Financing Obligations	\$	\$ 110,000		\$ 110,000	\$ 110,000
Kentucky Advance Revenue Program		227,950	227,950		
Governmental Activities Short-term Liabilities	\$ 0	\$ 337,950	\$ 227,950	\$ 110,000	\$ 110,000

Note 5. Long-term Debt

A. Mortgage Revenue Bond Anticipation Notes

On May 22, 2008, Fleming Public Properties Corporation issued first mortgage revenue bond anticipation notes in the amount of \$4,500,000. The proceeds of this issue were used to provide initial funding for financing of the Justice Center project. The notes were issued with an interest rate of 2.55% with a retirement date of May 1, 2010. Semi-annual interest payments are due on November 1 and May 1 of each year. One principal payment of \$4,500,000 is due on May 1, 2010. The outstanding principal at June 30, 2009 was \$4,500,000. Principal payments for the remaining years are as follows:

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Long-term Debt (Continued)

A. Mortgage Revenue Bond Anticipation Notes (Continued)

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest And Fees</u>
2010	\$ 4,500,000	\$ 114,750
Totals	<u>\$ 4,500,000</u>	<u>\$ 114,750</u>

B. Capital Lease - Vehicle And Road Equipment

On June 28, 2006, the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of a dump truck. The agreement requires monthly interest payments beginning August 20, 2006 and principle payments annually beginning January 20, 2009 with an interest rate of 4.05 percent to be paid in full January 20, 2010. The principal balance of the agreement was \$15,458 as of June 30, 2009. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest And Fees</u>
2010	\$ 15,458	\$ 560
Totals	<u>\$ 15,458</u>	<u>\$ 560</u>

C. Capital Lease – Courthouse Renovation

On July 18, 2006 the Fleming County Fiscal Court entered into a lease agreement with Kentucky Area Development District Financing Trust for the renovation of the courthouse. The agreement requires semi-annual interest and principal payments beginning November 1, 2006 with a variable interest rate to be paid in full June 30, 2013. The principal balance of the agreement was \$305,000 as of June 30, 2009. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest And Fees</u>
2010	\$ 70,000	\$ 12,794
2011	75,000	9,678
2012	80,000	6,230
2013	<u>80,000</u>	<u>2,670</u>
Totals	<u>\$ 305,000</u>	<u>\$ 31,372</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Financing Obligations (Continued)

D. Capital Lease – 2009 Case Tractor Loader

On May 1, 2009 the Fleming County Fiscal Court entered into a lease agreement with Trinity, A Division of Bank of the West for the purchase of a 2009 Case 580SM tractor loader. The agreement requires monthly interest and principal payments beginning June 1, 2009 with a 4.88% interest rate to be paid in full March 2014. The principal balance of the agreement was \$73,810 as of June 30, 2009. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest And Fees</u>
2010	\$ 13,205	\$ 3,035
2011	15,095	2,623
2012	15,848	1,870
2013	16,639	1,079
2014	13,023	265
Totals	<u>\$ 73,810</u>	<u>\$ 8,872</u>

E. Capital Lease – Sheriff Vehicles

On May-4, 2007 the Fleming County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties for the purchase of Sheriff vehicles. The agreement requires monthly interest and principal payments beginning June 20, 2007 with a 4.5% interest rate to be paid in full January 2012. The Sheriffs Office makes debt service payments. Interest payments made by the Sheriff's Office were \$649 during the fiscal year ended June 30, 2009. The principal balance of the agreement was \$13,404 as of June 30, 2009. Lease payments for the remaining years are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest And Fees</u>
2010	\$ 4,978	\$ 453
2011	5,244	246
2012	3,182	44
Totals	<u>\$ 13,404</u>	<u>\$ 743</u>

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Bond Anticipation Note	\$ 4,500,000	\$		\$ 4,500,000	\$ 4,500,000
Financing Obligations (Restated)	<u>423,596</u>	<u>79,103</u>	<u>95,027</u>	<u>407,672</u>	<u>103,641</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 4,923,596</u>	<u>\$ 79,103</u>	<u>\$ 95,027</u>	<u>\$ 4,907,672</u>	<u>\$ 4,603,641</u>

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On February 24, 2000, the Fleming County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Deferred Compensation (Continued)

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2009, Fleming County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Construction In Progress

Construction In Progress consisted of the following project as of June 30, 2009:

Justice Center Project	\$ 293,394
------------------------	------------

Note 10. Prior Period Adjustments

The beginning net asset balances as of June 30, 2008 for governmental activities of the Fleming County Fiscal Court have been restated due to the correction of errors. The following is a reconciliation of net assets as of June 30, 2009, as previously reported to the restated net assets balance for the same period.

Beginning Balance	\$ 5,560,303
Adjustment (1)	(18,138)
Adjustment (2)	<u>2</u>
Restated Beginning Balance	<u>\$ 5,542,167</u>

- (1) To include the beginning debt balance of the Fleming County Sheriff's vehicle lease inadvertently excluded from the Statement of Net Assets when the asset was added to the County's fixed assets schedule.
- (2) Miscellaneous adjustment.

FLEMING COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 11. Subsequent Review

Subsequent events have been evaluated through December 17, 2009, which is the date the financial statements were available to be issued.

Note 12. Related Party

During our audit, we noted that the fiscal court purchased land in the amount of \$450,000 from the Community Trust Bank. Community Trust Bank is the depository institution that holds the County's deposits.

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,146,200	\$ 1,360,067	\$ 1,392,885	\$ 32,818
Excess Fees	100,000	100,000	122,725	22,725
Licenses and Permits	28,000	28,000	25,685	(2,315)
Intergovernmental	105,985	109,778	111,378	1,600
Charges for Services	100	100	125	25
Miscellaneous	294,200	294,200	278,791	(15,409)
Interest	5,750	5,750	1,807	(3,943)
Total Revenues	1,680,235	1,897,895	1,933,396	35,501
EXPENDITURES				
General Government	522,902	538,614	525,246	13,368
Protection to Persons and Property	93,210	95,461	90,679	4,782
General Health and Sanitation	33,549	34,076	34,076	
Social Services	5,500	6,500	4,500	2,000
Recreation and Culture	80,819	108,667	62,350	46,317
Debt Service	321,600	321,600	168,081	153,519
Capital Projects	14,000	14,010	6,181	7,829
Administration	707,809	900,218	629,623	270,595
Total Expenditures	1,779,389	2,019,146	1,520,736	498,410
Excess (Deficiency) of Revenues Over Expenditures Before Transfers & Other Financing Sources (Uses)	(99,154)	(121,251)	412,660	533,911
TRANSFERS & OTHER FINANCING SOURCES (USES)				
Kentucky Advanced Revenue Program Proceeds	316,500	316,500	160,150	(156,350)
Transfers From Other Funds	31,572	31,572	96,020	64,448
Transfers To Other Funds	(388,918)	(388,918)	(471,187)	(82,269)
Total Transfers & Other Financing Sources (Uses)	(40,846)	(40,846)	(215,017)	(174,171)
Net Changes in Fund Balance	(140,000)	(162,097)	197,643	359,740
Fund Balance - Beginning	140,000	165,758	165,758	
Fund Balance - Ending	\$	\$ 3,661	\$ 363,401	\$ 359,740

Reconciliation of General Fund

Total Transfers & Other Financing Sources (Uses) - Budgetary Basis	\$ (215,017)
Less: Karp Proceeds	(160,150)
Total Revenues - Modified Cash Basis	<u>\$ (375,167)</u>
Total Expenditures - Budgetary Basis	\$ 1,520,736
Less: Karp Payments	(160,150)
Total Expenditures - Modified Cash Basis	<u>\$ 1,360,586</u>

FLEMING COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,115,647	\$ 1,297,619	\$ 1,302,470	4,851
Miscellaneous	10,500	20,973	17,807	(3,166)
Interest	5,500	5,500	4,586	(914)
Total Revenues	1,131,647	1,324,092	1,324,863	771
EXPENDITURES				
General Health And Sanitation				
Roads	1,106,090	1,310,408	1,070,112	240,296
Debt Service	84,150	84,150	69,156	14,994
Capital Projects		8,000	8,000	
Administration	215,629	325,028	165,436	159,592
Total Expenditures	1,405,869	1,727,586	1,312,704	414,882
Excess (Deficiency) of Revenues Over Expenditures Before Transfers & Other Financing Sources (Uses)	(274,222)	(403,494)	12,159	415,653
TRANSFERS & OTHER FINANCING SOURCES (USES)				
Kentucky Advanced Revenue Program Proceeds	82,650	82,650	67,800	(14,850)
Transfers From Other Funds	161,572	161,572	154,619	(6,953)
Transfers To Other Funds			(22,953)	(22,953)
Total Transfers & Other Financing Sources (Uses)	244,222	244,222	199,466	(44,756)
Net Changes in Fund Balance	(30,000)	(159,272)	211,625	370,897
Fund Balance - Beginning	30,000	65,277	65,277	0
Fund Balance - Ending	\$	\$ (93,995)	\$ 276,902	\$ 370,897

Reconciliation of Road Fund

Total Transfers & Other Financing Sources (Uses) - Budgetary Basis	\$ 199,466
Less: Karp Proceeds	(67,800)
Total Revenues - Modified Cash Basis	\$ 131,666
Total Expenditures - Budgetary Basis	\$ 1,312,704
Less: Karp Payments	(67,800)
Total Expenditures - Modified Cash Basis	\$ 1,244,904

FLEMING COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

FLEMING COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

FLEMING COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>State Grant Fund</u>	<u>Federal Grant Fund</u>	<u>Forestry Fund</u>	<u>Revolving Loan Fund</u>
ASSETS						
Cash and Cash Equivalents	<u>\$ 2,678</u>	<u>\$ 298,969</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,380</u>	<u>\$ 312,550</u>
Total Assets	<u><u>\$ 2,678</u></u>	<u><u>\$ 298,969</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,380</u></u>	<u><u>\$ 312,550</u></u>
FUND BALANCES						
Unreserved:						
Special Revenue Funds	<u>\$ 2,678</u>	<u>\$ 298,969</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,380</u>	<u>\$ 312,550</u>
Total Fund Balances	<u><u>\$ 2,678</u></u>	<u><u>\$ 298,969</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 1,380</u></u>	<u><u>\$ 312,550</u></u>

FLEMING COUNTY
 COMBINING BALANCE SHEET -
 NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Other Supplementary Information (Continued)

June 30, 2009

	Dispatch Fund	Capital Improvement Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 471,185	\$ 301,771	\$ 1,388,533
Total Assets	<u>\$ 471,185</u>	<u>\$ 301,771</u>	<u>\$ 1,388,533</u>
FUND BALANCES			
Unreserved:			
Special Revenue Funds	\$ 471,185	\$ 301,771	\$ 1,388,533
Total Fund Balances	<u>\$ 471,185</u>	<u>\$ 301,771</u>	<u>\$ 1,388,533</u>

FLEMING COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

FLEMING COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Other Supplementary Information

For The Year Ended June 30, 2009

	Jail Fund	LGEA Fund	State Grant Fund	Federal Grant Fund	Forestry Fund
REVENUES					
Taxes	\$	\$	\$	\$	\$ 1,471
Intergovernmental	101,438	116,544	88,163	329,753	
Charges For Services	52,330				400
Miscellaneous	845	94,248			
Interest	10	1,786	56		
Total Revenues	154,623	212,578	88,219	329,753	1,871
EXPENDITURES					
General Government				119,361	
Protection to Persons and Property	386,398		10,169	4,619	1,480
General Health and Sanitation			180		
Social Services			2,175		
Recreation and Culture			14,176	41,600	
Roads		189,283			
Road Facilities					
Debt Service		22,286			
Capital Projects					
Administration	13,712				
Total Expenditures	400,110	211,569	26,700	165,580	1,480
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(245,487)	1,009	61,519	164,173	391
Other Financing Sources (Uses)					
Lease Proceeds		189,103			
Transfers To Other Funds		(21,500)	(77,870)	(211,472)	
Transfers From Other Funds	247,500	9,453	2,582	47,299	
Total Other Financing Sources (Uses)	247,500	177,056	(75,288)	(164,173)	
Net Change in Fund Balances	2,013	178,065	(13,769)		391
Fund Balances - Beginning	665	120,904	13,769		989
Fund Balances - Ending	\$ 2,678	\$ 298,969	\$ 0	\$ 0	\$ 1,380

FLEMING COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information (Continued)

For The Year Ended June 30, 2009

	Revolving Loan Fund	Dispatch Fund	Capital Improvement Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$	\$ 249,605	\$	\$ 251,076
Intergovernmental		124,380	43,803	804,081
Charges For Services				52,730
Miscellaneous		2,324	22,405	119,822
Interest	4,648	4,763	5,342	16,605
Total Revenues	4,648	381,072	71,550	1,244,314
EXPENDITURES				
General Government	60,588		1,500	181,449
Protection to Persons and Property		438,936		841,602
General Health and Sanitation				180
Social Services				2,175
Recreation and Culture				55,776
Roads	5,000			194,283
Road Facilities			719	719
Debt Service			85,786	108,072
Capital Projects			214,161	214,161
Administration		45,530		59,242
Total Expenditures	65,588	484,466	302,166	1,657,659
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(60,940)	(103,394)	(230,616)	(413,345)
Other Financing Sources (Uses)				
Lease Proceeds				189,103
Transfers To Other Funds		(6,520)	(125,620)	(442,982)
Transfers From Other Funds		163,149	216,500	686,483
Total Other Financing Sources (Uses)		156,629	90,880	432,604
Net Change in Fund Balances	(60,940)	53,235	(139,736)	19,259
Fund Balances - Beginning	373,490	417,950	441,507	1,369,274
Fund Balances - Ending	\$ 312,550	\$ 471,185	\$ 301,771	\$ 1,388,533

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Larry Foxworthy, Fleming County Judge/Executive
Members of the Fleming County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fleming County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 17, 2009. Fleming County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fleming County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Fleming County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fleming County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Fleming County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of Fleming County's financial statements that is more than inconsequential will not be prevented or detected by the Fleming County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Fleming County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Fleming County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Morgan - Franklin, LLC

Morgan – Franklin, LLC

Audit fieldwork completed -
December 17, 2009

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

FLEMING COUNTY FISCAL COURT

For The Year Ended
June 30, 2009

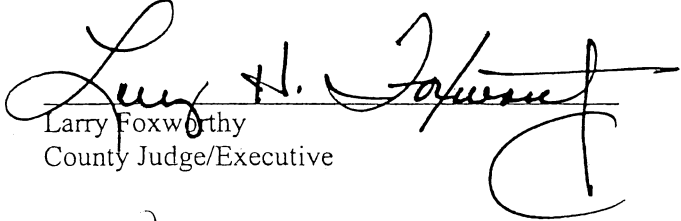
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

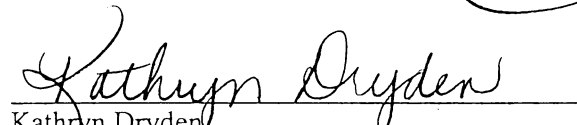
FLEMING COUNTY FISCAL COURT

For The Year Ended June 30, 2009

The Fleming County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Larry Foxworthy
County Judge/Executive



Kathryn Dryden
County Treasurer